

January 6, 1984

LB 14

they changed it and they changed that deduction to a credit. Now when that deduction was a deduction, Nebraska received a flow through effect because we figure our tax liability on the total tax due or the total income after you have taken your deductions on your federal income tax. When they changed it to a credit we lost that flow through effect. We lost the flow through effect so this is merely replacing what was inadvertently taken away from us back in 1976. In 1980 President Reagan, in his visit to Omaha, supported this child care credit at the federal level and Governor Thone supported it. I think it is an issue, an idea that has support from both sides of the political table and I'm hoping that you will support it. There are a number of reasons that the bill is even more pertinent now than it was back in '76. In 1981 the federal government changed some of the ADC requirements and if you look at one of the handouts I passed out you will notice that because of the changes there is a little bit of a disincentive for people to work if they are on welfare. There is very little difference if they are working and receive some food stamps and are making minimum wage and have one child, their monthly income including their work money would be \$510.44. Now if that single parent decided to quit work and just go strictly on welfare without that added income, they would get \$488.00 so they would only be getting \$30.00 less and they would be able to stay home and not pay child care expenses. So by enacting LB 14 we would be placing an incentive on our books and in our tax code for borderline welfare recipients to work. I hope that you will be able to support this bill. I would be willing to answer any questions you might have. I think that the cost is not that great. If you are talking about a single parent with...or even two parents working with an income of \$10,000 and they have one child in child care, the maximum credit for that one child with a 20% tax rate would be \$129.60. Now that is at 20%. Whatever our income tax is at the end of this year, whatever we decide to set that income tax rate at, that is the percentage we would take of the federal credit. So it would depend on what our income tax rate is and they would receive that percentage of the federal credit on their state income tax form. The credit is not refundable, thus if they do not pay any income tax, it is not like the food sales tax where it is